

## Nursing Home—Accounting—Reimbursement

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**WAC 388-96-131 Requirement for retention of reports by the department.** The department will retain each required report for a period of four years following the date the report was submitted. If at the end of four years there are unresolved audit questions, the report will be retained until such questions are resolved.

[Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-131, filed 9/16/83; Order 1262, § 388-96-131, filed 12/30/77.]

**WAC 388-96-134 Disclosure of nursing home reports.** (1) Cost reports and final audit reports will be made available for public disclosure. Cost report schedules showing information on rental or lease of assets, the facility or corporate balance sheet, schedule of changes in financial position, statement of changes in equity-fund balance, notes to financial statements, schedules summarizing adjustments to cost reports, reports or reviews of internal control and accounting procedures, and letters containing comments or recommendations relating to suggested improvements in internal control or accounting procedures shall be exempt from public disclosure.

(2) Whether or not subject to public disclosure, all documents shall be provided by the secretary, upon written request, to the legislature and to state agencies or state and local law enforcement officials having an official interest in the requested documents. A contractor or an authorized agent or designee may have access to nondisclosable information from its own records.

[Statutory Authority: RCW 74.46.800, 94-12-043 (Order 3737), § 388-96-134, filed 5/26/94, effective 6/26/94. Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2270), § 388-96-134, filed 8/19/85. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-134, filed 9/16/83; Order 1262, § 388-96-134, filed 12/30/77.]

*See WSR 95-14-119*

**WAC 388-96-204 Field audits.** (1) The department shall conduct a field audit of all cost reports for calendar year 1982.

(2) The department may have auditors employed by the department or under contract field audit cost reports for years subsequent to 1982.

(3) Beginning with field audits for calendar year 1983, the department shall audit up to one hundred percent of submitted contractor cost reports and patient care trust fund accounts.

(4) The department may audit any or all schedules of a facility's cost report. The department shall audit the cost report at least once every three years.

(5) Beginning with cost reports for calendar year 1983, facilities selected for audit shall be notified within one hundred twenty days after submission of a complete and correct cost report of the department's intent to audit. Such audits shall be completed within one year after notification of the department's intent to audit unless the contractor fails to allow access to records and documentation or otherwise prevents the audit from being completed in a timely manner.

(6) To assure the accuracy of cost reports, the department or an auditor under contract with the department may require a contractor to submit for departmental review any underlying financial statements or other records including income tax returns relating to the cost report directly or indirectly.

(7) The department shall audit all submitted contractor cost reports of such facilities as follows:

(a) The department shall audit facilities terminating their Medicaid service contracts with the department when the audits are conducted for the calendar year in which the contract is terminated. Schedule preference will be given to conduct closing audits as soon as possible;

(b) The department shall audit facilities contracting in any given calendar year for that partial or full year, and facilities contracting for the first time for the first full calendar year;

(c) The department shall audit facilities under investigation by the Internal Revenue Service, Securities Exchange Commission, Department of Health and Human Services, Medicaid fraud control unit, or any other federal, state, or municipal agency for alleged fiscal and/or patient account impropriety for:

(i) The year such investigation is commenced;

(ii) Each year the investigation is continued;

(iii) The year the investigation is concluded; and

(iv) Two full calendar years following the year the investigation is terminated.

(d) The department shall audit facilities that the manager, residential rate program, aging and adult services, requests be audited.

(8) If a facility has a home or central office and such central office or any associated facility meets any of the criteria set forth in subsection (7) of this section, the department shall audit such facility as provided in subsection (7) of this section.

(9) When an audit discloses material discrepancies, undocumented costs, or mishandling of patient trust funds, the department auditors may re-open a maximum of two prior unaudited cost reporting or trust fund periods and/or select future periods for audit in order to discover similar problems, if any, and take appropriate action.

(10) The department may select for audit on a random or other basis reported costs and trust fund accounts of facilities.

[Statutory Authority: RCW 79.09.120 [74.09.120] and 74.46.800, 90-09-061 (Order 2970), § 388-96-204, filed 4/17/90, effective 5/18/90. Statutory Authority: 1987 c 476, 88-01-126 (Order 2573), § 388-96-204, filed 12/23/87. Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2270), § 388-96-204, filed 8/19/85. Statutory Authority: RCW 74.09.120, 84-24-050 (Order 2172), § 388-96-204, filed 12/4/84. Statutory Authority: RCW 74.46.800, 84-13-039 (Order 2105), § 388-96-204, filed 5/30/84. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-204, filed 9/16/83; Order 1262, § 388-96-204, filed 12/30/77.]

**WAC 388-96-207 Preparation for audit by the contractor.** (1) The department will notify the contractor at least ten working days in advance of a field audit.

(2) The contractor shall provide the auditors with access to the nursing home records, and to all work papers and documentation supporting the data in the cost report or relating to patient trust funds. Such records shall be made available at a location in the state of Washington specified by the contractor.

(3) The contractor shall reconcile reported data with applicable federal income and payroll tax returns and with the records for the period covered by the report. Such

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reconciliation shall be in suitable form for verification by the auditors.

(4) The contractor shall designate and make available one or more individuals familiar with the internal operations of a facility being audited in order to respond to questions and requests for information and documentation from auditors. If the individual or individuals designated cannot answer all questions and respond to all requests, an alternate individual with sufficient knowledge and access to records and information must be provided by the contractor.

[Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2270), § 388-96-207, filed 8/19/85. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-207, filed 9/16/83; Order 1262, § 388-96-207, filed 12/30/77.]

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**WAC 388-96-210 Scope of field audits.** (1) Auditors will review the contractor's recordkeeping and accounting practices and, where appropriate, make written recommendations for improvements.

(2) The audit will result in a schedule summarizing adjustments to the contractor's cost report whether such adjustments eliminate costs reported or include costs not reported. These adjustments shall include an explanation for the adjustment, the general ledger account or account group, and the dollar amount. Auditors will examine the contractor's financial and statistical records to verify that:

(a) Supporting records are in agreement with reported data;

(b) Only those assets, liabilities, and revenue and expense items the department has specified as allowable have been included by the contractor in computing the costs of services provided under its contract;

(c) Allowable costs have been accurately determined and are necessary, ordinary, and related to patient care;

(d) Related organizations and beneficial ownerships or interests have been correctly disclosed;

(e) Recipient trust funds have been properly maintained; and

(f) The contractor is otherwise in compliance with provisions of this chapter and chapter 74.46 RCW.

(3) In determining allowable costs for each contractor for each cost report year selected for field audit, auditors shall consider and include in their adjustments, as appropriate, all peer group cost center limit adjustments as provided in subsections (4) and (5) of this section and other desk review adjustments previously made to the reported costs being audited, that is, made to such costs for the purpose of establishing a contractor's July 1 Medicaid rate following the cost report period under audit.

(4) Beginning with 1992 audits, in auditing cost reports for all calendar years ending six months before the start of each new biennium, auditors shall disallow costs in excess of the nursing facility's peer group median cost plus percentage limit in each cost center without inflating or deflating such limits by the IPD Index change used to adjust prospective rates for the first fiscal year of the biennium for economic trends and conditions.

(5) Beginning with 1993 audits, in auditing cost reports for all calendar years ending six months after the start of each new biennium, auditors shall disallow costs in excess of the nursing facility's peer group median cost plus percentage limit in each cost center, calculated on adjusted cost

report data for the preceding report year ending six months prior to the start of the new biennium but inflated or deflated by the IPD Index change used to adjust prospective rates for the first fiscal year of the biennium for economic trends and conditions.

(6) Auditors will prepare draft audit narratives and summaries and provide them to the contractor before final narratives and summaries are prepared.

[Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-210, filed 9/14/93, effective 10/15/93; 89-11-100 (Order 2799), § 388-96-210, filed 5/24/89. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-210, filed 9/16/83; Order 1262, § 388-96-210, filed 12/30/77.]

**WAC 388-96-213 Inadequate documentation.** The auditors will disallow any assets, liabilities, revenues, or expenses reported as allowable which are not supported by adequate documentation in the contractor's records. Documentation must show both that costs reported were incurred during the period covered by the report and were related to patient care, and that assets reported were used in the provision of patient care.

[Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2270), § 388-96-213, filed 8/19/85. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-213, filed 9/16/83; Order 1262, § 388-96-213, filed 12/30/77.]

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**WAC 388-96-216 Deadline for completion of audits.**

(1) Provided auditors are given prompt and timely access to the nursing home and to all records necessary to audit the report, field audits will be completed within one year after a properly completed annual cost report is received by the department or, beginning with audits of 1983 cost reports, within one year after a nursing home is notified it has been selected for audit.

(2) The department will give priority to field audits of final annual reports and whenever possible will begin such field audits within ninety days after a properly completed final annual report is received.

[Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2270), § 388-96-216, filed 8/19/85. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-216, filed 9/16/83; Order 1262, § 388-96-216, filed 12/30/77.]

**WAC 388-96-217 Civil fines.** (1) When the department finds that a current or former contractor, or any partner, officer, director, owner of five percent or more of the stock of a current or former corporate contractor, or managing agent has failed or refused to comply with any requirement of chapters 74.46 RCW or 388-96 WAC, the department may assess monetary penalties of a civil nature not to exceed one thousand dollars per violation. Every day of noncompliance with any requirement of chapters 74.46 RCW or 388-96 WAC is a separate violation.

(2) The department may fine a contractor or former contractor or any partner, officer, director, owner of five percent or more of the stock of a current or former corporate contractor, or managing agent for the following but is not limited to the following in its fine assessments:

(a) Failure to file a mathematically accurate and complete cost report, including a final cost report, on or prior to the applicable due date established by this chapter or

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authorized by extension granted in writing by the department; or

(b) Failure to permit an audit authorized by this chapter or to grant access to all records and documents deemed necessary by the department to complete such an audit.

(3) The department shall send notice of a fine assessed under subsection (2) of this section by certified mail return receipt requested to the current contractor, administrator, or former contractor informing the addressee of the following:

(a) The fine shall become effective the date of receipt of the notice by the addressee; and

(b) If within two weeks of the date of receipt of the notice by the addressee, an acceptable cost report is received by the department; an audit is allowed; or access to documentation is allowed, as applicable, the department may waive the fine.

[Statutory Authority: RCW 74.46.800, 94-12-043 (Order 3737), § 388-96-217, filed 5/26/94, effective 6/26/94; 87-09-058 (Order 2485), § 388-96-217, filed 4/20/87.]

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**WAC 388-96-220 Principles of settlement.** (1) For each cost center, a settlement shall be calculated at the lower of prospective reimbursement rate or audited allowable costs, except as otherwise provided in this chapter.

(2) Each contractor shall complete a proposed preliminary settlement by cost center as part of the annual cost report and submit it by the due date of the annual cost report. After review of the proposed preliminary settlement, the department shall issue by cost center a preliminary settlement report to the contractor.

(3) If a field audit is conducted, the audit findings shall be evaluated by the department after completion of the audit and a final settlement by cost center, including any allowable shifting or cost savings, shall be issued which takes account of such findings and evaluations.

(4) Pursuant to preliminary or final settlement and the procedures set forth in this chapter, the contractor shall refund overpayments to the department and the department shall pay underpayments to the contractor.

[Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-220, filed 9/16/83.]

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**WAC 388-96-221 Preliminary settlement.** (1) In the proposed preliminary settlement submitted under WAC 388-96-220(2), a contractor shall compare the prospective rates at which the contractor was paid during the report period, weighted by the number of patient days reported for the period each rate was in effect, to the contractor's allowable costs for the reporting period. The contractor shall take into account all authorized shifting, cost savings, and upper limits to rates on a cost center basis.

(2) Within one hundred twenty days after a proposed preliminary settlement is received, the department shall:

(a) Review proposed preliminary settlement for accuracy, and

(b) Either accept or reject the proposal of the contractor. If accepted, the proposed preliminary settlement shall become the preliminary settlement report. If rejected, the department shall issue, by cost center, a preliminary settlement report fully substantiating disallowed costs, refunds, or

underpayments due and adjustments to the proposed preliminary settlement.

(3) A contractor shall have thirty days after receipt of a preliminary settlement report to contest such report under WAC 388-96-901 and 388-96-904. Upon expiration of the thirty-day period, the department shall not review or adjust a preliminary settlement report.

(4) If no audit is scheduled by the department or if a scheduled audit is not performed within two years of the scheduled date, the department shall perform the preliminary settlement review described in this section with the following exceptions:

(a) For cost centers, the department shall:

(i) Use desk-reviewed costs as the contractor's allowable costs for the reporting period;

(ii) Disallow all costs in excess of the nursing facility's peer group median cost limit as described under WAC 388-96-210; and

(iii) For 1992 and 1993 settlements only, nursing facilities qualifying for the nursing services exception described in WAC 388-96-722(9) will have their 1992 and 1993 nursing services costs limited by the product of their 1992 or 1993 total days, respectively, times their June 30, 1993 nursing services rate.

(b) The department shall calculate the variable portion of return on investment as calculated in the prospective rate;

(c) The department shall base the financing allowance portion of return on investment on audited costs in compliance with provisions contained in this chapter. If audited costs are not available, the department shall use the financing allowance used for rate setting. If an audited financing allowance is later determined, the department shall revise the final settlement to reflect audited financing allowance if payment is changed by \$1,000 or more; and

(d) When a complete audit was not performed and audited information is needed for purposes of calculating return on investment, the department may do a partial audit of current or prior year cost report.

(5) Beginning with preliminary settlements for report year 1988, if the department intends to field audit a facility's reported costs, the department shall issue the facility's preliminary settlement report based upon reported costs. If the department does not intend to field audit a facility's reported costs, the department shall issue the facility's preliminary settlement report based upon desk-reviewed costs utilizing the procedure under subsection (4) of this section.

(6) If the facility prevents, hinders, or otherwise delays completion of a full field audit, that facility's preliminary settlement issued on reported costs may be reopened to substitute desk-reviewed costs.

[Statutory Authority: RCW 74.46.800, 94-12-043 (Order 3737), § 388-96-221, filed 5/26/94, effective 6/26/94. Statutory Authority: RCW 74.09.120 and 74.46.800, 89-11-100 (Order 2799), § 388-96-221, filed 5/24/89. Statutory Authority: 1987 c 476, 88-01-126 (Order 2573), § 388-96-221, filed 12/23/87. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-221, filed 9/16/83.]

*See WSR 95-14-119*

**WAC 388-96-224 Final settlement.** (1) If an audit is conducted, the department shall issue a final settlement report to the contractor after completion of the audit process, including exhaustion or mutual termination of reviews and appeals of audit findings or determinations. The department

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shall prepare the final settlement by cost center and shall fully substantiate disallowed costs, refunds, underpayments, or adjustments to the cost report and financial statements, reports, and schedules submitted by the contractor. For the final settlement report, the department shall compare:

(a) The prospective rate the contractor was paid during the report period, weighted by the number of patient days reported for the period each rate was in effect as verified by audit, to

(b) The contractor's audited allowable costs for the reporting period.

The department shall take into account all authorized shifting, cost savings, and upper limits to rates on a cost center basis. If the contractor is pursuing in good faith an administrative or judicial review or appeal of audit findings or determinations, the department may issue a partial final settlement report in order to recover overpayments based on audit findings or determinations not in dispute on review or appeal.

(2) For the 1981 cost report period, the department shall issue one settlement for the year composed of two parts:

(a) One relating to January 1, 1981, through June 30, 1981; and

(b) One relating to July 1, 1981, through December 31, 1981.

(3) For the first six months of 1981, the department shall compute the settlement in accordance with the court order and agreement between the department and Medicaid contractors for the UNH II and III period (January 1, 1978, through June 30, 1981).

(4) For the second six months of 1981, the department shall compute the settlement in accordance with principles and instructions contained in regulations applicable to 1981 settlements, except for the requirement that a settlement cover an entire cost report year.

(5) A contractor shall have thirty days after receipt of a final settlement report to contest such report pursuant to WAC 388-96-901 and 388-96-904. Upon expiration of the thirty-day period, the department shall not review a final settlement report.

(6) The department shall reopen a final settlement if it is necessary to make adjustments based upon findings resulting from an audit performed pursuant to RCW 74.46.105. The department may also reopen a final settlement to recover an industrial insurance dividend or premium discount under RCW 51.16.035 in proportion to a contractor's medical care recipients, pursuant to RCW 74.46.180(5).

[Statutory Authority: 1987 c 476, 88-01-126 (Order 2573), § 388-96-224, filed 12/23/87. Statutory Authority: RCW 74.09.120 and 74.46.800, 85-13-060 (Order 2240), § 388-96-224, filed 6/18/85. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-224, filed 9/16/83.]

**WAC 388-96-226 Shifting provisions.** In computing a preliminary or final settlement, a contractor may shift savings and/or overpayment in a cost center to cover a deficit and/or underpayment in another cost center up to the amount of the savings, provided:

(1) Contractors may not shift more than twenty percent of the rate in a cost center into that cost center;

(2) Contractors may not shift into the property cost center;

(3) Beginning January 1, 1988, contractors may not shift out of the nursing services cost center;

(4) Beginning January 1, 1988, contractors may shift savings and/or overpayments in the food cost center only to cover deficits and/or underpayments in the nursing services cost center; and

(5) Beginning January 1, 1988, contractors shall shift payments in the enhancement cost center shown to have been spent for legislatively authorized enhancements, funding for which terminated June 30, 1990, to nonadministrative wages and benefits to the nursing services and administration and operations cost centers, as appropriate. Such funds shall be shifted for no other purpose;

(6) The following shall apply with regard to the operational and administrative cost centers:

(a) Beginning January 1, 1993, the operational cost center and the administrative cost center will be combined for the calculation of preliminary and final settlements;

(b) Beginning January 1, 1994, the operational cost center and the administrative cost center will be separate; and contractors shall not shift from the operational cost center to the administrative cost center.

(7) For calendar years 1992 and 1993 only, and for final settlement purposes only, a contractor may shift, as authorized in this section, rate payments into the appropriate cost center without regard to the peer group median cost plus percentage limit for that cost center used by the department to establish the facility's July 1 rate following the period being settled.

(8) Beginning with final settlements for calendar year 1994 and following, a contractor may not shift rate payments into any cost center, for settlement or any other purpose, if the total rate payment in that cost center, after shifting, would exceed the contractor's peer group median cost plus percentage limit for that cost center previously used by the department in establishing that facility's July 1 rate in that cost center following the period being settled.

[Statutory Authority: RCW 74.46.800, 94-12-043 (Order 3737), § 388-96-226, filed 5/26/94, effective 6/26/94. Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-226, filed 9/14/93, effective 10/15/93. Statutory Authority: 1987 c 476, 88-01-126 (Order 2573), § 388-96-226, filed 12/23/87. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-226, filed 9/16/83.]

**WAC 388-96-228 Cost savings.** (1) For calendar year 1993 settlements, contractors may not retain cost savings if the sum of the reported costs in the property, operational, and administrative cost centers exceeds audited allowable costs in those cost centers by a total of ten cents or more per patient day. Beginning with settlements for calendar year 1994 and following, if the sum of the reported costs in property and administrative cost centers exceeds audited allowable costs in those cost centers by a total of ten cents or more per patient day, contractors may not retain cost savings in the property and administrative cost centers. For facilities that qualify, cost savings will be determined according to the following procedures:

(a) Based upon the latest information available, the department shall notify contractors of the fiftieth percentile rates for the period July 1st through December 31st in the following cost centers:

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(i) For calendar 1993, in the operational, administrative, and property cost centers; and

(ii) For calendar year 1994 and all subsequent calendar years, in the administrative and property cost centers.

(b) A contractor shall be permitted to retain, after allowable shifting, seventy-five percent of cost savings in the following cost centers, multiplied by medical care recipient days of service, if the average rate for the cost report period, computed according to department instructions in such cost area, is at or below the fiftieth percentile rate:

(i) For calendar 1993, in the combined operational and administrative cost centers or the property cost center;

(ii) For calendar year 1994 and all subsequent calendar years, in the administrative cost center or the property cost center.

(c) A contractor shall be permitted to retain, after allowable shifting, fifty percent of cost savings in the following cost centers, multiplied by medical care recipient days of service, if the average rate for the cost report period, computed according to department instructions in such cost area, is above the fiftieth percentile rate:

(i) For calendar year 1993, in the combined operational and administrative cost centers or the property cost center;

(ii) For calendar year 1994 and all subsequent calendar years, the administrative cost center or the property cost center.

(2) The department shall recover cost savings attributable to any industrial insurance dividend or premium discount under RCW 51.16.035 in proportion to the ratio of medical care recipients to other patients at the facility.

(3) The department shall compute cost savings calculated for the final settlement on closing cost reports using property costs without consideration of any gain or loss on the sale of assets in the report year.

[Statutory Authority: RCW 74.46.800. 94-12-043 (Order 3737), § 388-96-228, filed 5/26/94, effective 6/26/94. Statutory Authority: RCW 74.46.800 and 74.09.120. 93-19-074 (Order 3634), § 388-96-228, filed 9/14/93, effective 10/15/93. Statutory Authority: 1987 c 476. 88-01-126 (Order 2573), § 388-96-228, filed 12/23/87. Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800. 85-17-052 (Order 2270), § 388-96-228, filed 8/19/85. Statutory Authority: RCW 74.09.120. 83-19-047 (Order 2025), § 388-96-228, filed 9/16/83.]

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**WAC 388-96-229 Procedures for overpayments and underpayments.** (1) The department shall make payment of underpayments determined by preliminary or final settlement within thirty days after the preliminary or final settlement report is submitted to the contractor.

(2) A contractor found to have received overpayments or payments in error as determined by preliminary or final settlement shall refund such payments to the department within thirty days after receipt of the preliminary or final settlement report as applicable. Contractors shall refund to the department funds reimbursed in the enhancement cost center, but not spent in the legislatively authorized manner.

(3) If a contractor fails to comply with subsection (2) of this section, the department shall:

(a) Deduct from current monthly amounts due the contractor the refund due the department and interest on the unpaid balance at the rate of one percent per month; or

(b) If the contract has been terminated:

(i) Deduct from any amounts due the contractor the refund due the department and interest on the unpaid balance at the rate of one percent per month; or

(ii) Pursue, as authorized by law and regulation, recovery of the refund due and interest on the unpaid balance at the rate of one percent per month.

(4) A facility pursuing a timely filed administrative or judicial remedy in good faith regarding a proposed settlement report need not refund overpayments. The department shall not withhold from current amounts due the facility any refund or interest the department claims to be due from the facility, provided the refund is specifically disputed by the contractor on review or appeal. Portions of refunds due the department, not specifically disputed by the contractor on review or appeal, are subject to recovery and assessment of interest as provided in subsection (3) of this section. If the administrative or judicial remedy sought by the facility is not granted or is granted only in part after exhaustion or mutual termination of all appeals, the facility shall refund all amounts due the department within sixty days after the date of decision or termination plus interest as payable on judgments from the date the review was requested pursuant to WAC 388-96-901 and 388-96-904 to the date the repayment is made.

[Statutory Authority: 1987 c 476. 88-01-126 (Order 2573), § 388-96-229, filed 12/23/87. Statutory Authority: RCW 74.09.120. 83-19-047 (Order 2025), § 388-96-229, filed 9/16/83.]

**WAC 388-96-310 Interest on other excess payments.** (1) Any contractor obtaining benefits or payments under the medical assistance program to which such contractor is not entitled or in an amount to which such contractor is not entitled, shall be liable for such benefits or payments received and for interest on the amount of benefits or payments from the date of receipt until repayment is made to the department at the rate of one percent per month, unless the contractor establishes the overpayment was the result of errors made by the department.

(2) Interest charged by the department or interest expense incurred by the contractor, from whatever source, in making refund to the department shall not be reimbursable by the department as an allowable cost. The contractor may, by payment of a disputed settlement in whole or in part, stop accrual of interest on the amount paid. Such payment will be without prejudice to obtain review of a settlement determination.

[Statutory Authority: RCW 74.09.120. 83-19-047 (Order 2025), § 388-96-310, filed 9/16/83.]

**WAC 388-96-366 Facility records and handling of resident moneys.** (1) A nursing facility may not require residents to deposit personal funds with the facility. A facility may hold a resident's personal funds only if the resident or resident's guardian provides written authorization.

(2) Once a nursing facility accepts the written authorization of the resident or resident's guardian, the facility shall hold, safeguard, and account for such personal funds under an established system in accordance with this chapter. The nursing facility shall establish and maintain as a service to the residents a bookkeeping system, incorporated in the



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business records and adequate for audit, for all resident moneys received by the facility.

(3) The nursing facility shall maintain the resident's or guardian's written authorization in the resident's file. The facility shall deposit any resident's personal funds in excess of fifty dollars in an interest-bearing resident personal fund account or accounts, separate from any of the facility's operating accounts, and credit all interest earned on an account to the account. With respect to any other personal funds, the facility shall keep such funds in a noninterest-bearing account or petty cash fund maintained for residents.

(4) The facility shall give the resident at least a quarterly reporting of all financial transactions involving personal funds held for the resident by the facility. The facility shall send the representative payee, the guardian, or other designated agents of the resident a copy of the quarterly accounting report.

(5) The nursing facility shall further maintain a written record of all personal property deposited with the facility for safekeeping by or for the resident. The facility shall issue or obtain written receipts upon taking possession or disposing of such property and retain copies and/or originals of such receipts. The facility shall maintain records adequate for audit.

(6) The facility shall purchase a surety bond, or otherwise provide assurances or security satisfactory to the department, to assure the security of all personal funds of residents deposited with the facility.

[Statutory Authority: RCW 74.46.800, 74.42.620 and 74.09.120 90-20-075 (Order 3070), § 388-96-366, filed 9/28/90, effective 10/1/90. Statutory Authority: RCW 74.46.800, 87-09-058 (Order 2485), § 388-96-366, filed 4/20/87; Order 1168, § 388-96-366, filed 11/3/76; Order 1114 § 388-96-366, filed 4/21/76.]

**WAC 388-96-369** The nursing facility shall maintain a subsidiary ledger with an account for each resident for whom the facility holds money. (1) The facility shall assure a full and complete separate accounting of each resident's personal funds. Each account record and related supporting information and documentation shall:

(a) Be maintained at the facility;

(b) Be kept current;

(c) Be balanced each month; and

(d) Show in writing and in detail, with supporting verification, all moneys received on behalf of the individual resident and the disposition of all moneys so received.

(2) Each account shall be reasonably accessible to the resident or the resident's guardian or legal representative and shall be available for audit and inspection by a department representative. Each account shall be maintained for a minimum of four years. A Medicaid provider shall notify each Title XIX Medicaid recipient or guardian and the community services office of the department when the amount in the account of any Title XIX Medicaid recipient reaches two hundred dollars less than the applicable dollar resource limit for supplemental security income (SSI) eligibility set forth in Title XVI of the Social Security Act.

(3) When notice is given under subsection (2) of this section, the facility shall notify the recipient or guardian that if the amount in the account, in addition to the value of the recipient's other nonexempt resources, reaches the dollar resource limit determined under Title XVI, the recipient may

lose eligibility for SSI medical assistance or benefits under Title XVI.

(4) Accumulation toward the Title XVI limit, after the recipient's admission to the facility, is permitted only from savings from the clothing and personal incidentals allowance and other income which the department specifically designates as exempt income.

(5) No resident funds may be overdrawn (show a debit balance). If a resident wants to spend an amount greater than the facility is holding for the resident, the home may provide money from its own funds and collect the debt by installments from that portion of the resident's allowance remaining at the end of each month. No interest may be charged to residents for such loans.

(6) The facility may not impose a charge against the personal funds of a Medicare or Medicaid recipient for any item or service for which payment is made under the Title XVIII Medicare program or the Title XIX Medicaid program. In order to ensure that Medicaid recipients are not charged for services provided under the Title XIX program, any charge for medical services otherwise properly made to a recipient's personal funds shall be supported by a written denial from the department.

(a) Mobility aids including walkers, wheelchairs, or crutches requested for the exclusive use by a Medicaid recipient shall have a written denial from the department of social and health services before a recipient's personal funds may be charged.

(b) Requests for medically necessary services and supplies not funded under the provisions of chapter 388-96 WAC or chapter 388-86 WAC (reimbursement rate or coupon system) shall have a written denial from the department before a Medicaid recipient's personal funds may be charged.

(c) A written denial from the department is not required when the pharmacist verifies that a drug is not covered by the program, e.g., items on the FDA list of ineffective or possible effective drugs, nonformulary over-the-counter (OTC) medications. The pharmacist's notation to this effect is sufficient.

[Statutory Authority: RCW 74.46.800, 74.42.620 and 74.09.120 90-20-075 (Order 3070), § 388-96-369, filed 9/28/90, effective 10/1/90. Statutory Authority: RCW 74.42.620 and 74.46.800, 85-17-070 (Order 2275), § 388-96-369, filed 8/21/85. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-369, filed 9/16/83; 82-21-025 (Order 1892), § 388-96-369, filed 10/13/82; Order 1165, § 388-96-369, filed 11/3/76; Order 1114, § 388-96-369, filed 4/21/76.]

**WAC 388-96-372** The nursing facility may maintain a petty cash fund originating from resident personal funds of an amount reasonable and necessary for the size of the facility and the needs of the residents, not to exceed \$500.00. (1) This petty cash fund shall be an imprest fund. All moneys over and above the petty cash limit of 500.00 shall be deposited intact in an interest bearing account or accounts maintained for resident personal funds, separate and apart from any other bank account of the facility or other facilities. All interest earned on an account containing resident personal funds shall be credited to such account.

(2) Cash deposits of recipient allowances must be made intact to the resident personal fund account within one week

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from the time that payment is received from the department, Social Security Administration, or other payor.

(3) Any related bankbooks, bank statements, checkbook, check register, and all voided and cancelled checks, shall be made available for audit and inspection by a department representative, and shall be maintained by the home for not less than four years.

(4) No service charges for such checking account shall be paid by residents or deducted from resident personal funds.

(5) The resident personal fund account or accounts per bank shall be reconciled monthly to the resident personal funds per resident ledgers.

[Statutory Authority: RCW 74.46.800, 74.42.620 and 74.09.120. 90-20-075 (Order 3070), § 388-96-372, filed 9/28/90, effective 10/1/90. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-372, filed 9/16/83; Order 1114, § 388-96-372, filed 4/21/76.]

**WAC 388-96-375 Resident personal funds control/disbursement.** Personal funds shall be held and used for the benefit of the resident and are not to be turned over to anyone other than the resident or the resident's guardian without the written consent of the resident, the resident's designated agent as appointed by power of attorney, or appropriate department of social and health services personnel as designated by the CSO administrator.

(1) When money is received, a receipt shall be filled out in duplicate:

(a) One copy shall be given to the person making payment or deposit; and

(b) The other copy shall be retained in the receipt book for easy reference.

(2) Checks received by residents shall be endorsed by the resident. Schedule I-A(6e) of the agreement states in part: "Each patient receiving a check or state warrant is responsible for endorsement by his own signature. Only when the patient is incapable of signing his name may the Provider assume the responsibility of securing the patient's mark "X" followed by the name of the patient and the signature of two witnesses."

(3) If both a facility operating account and a resident personal fund account are at the same bank, the resident portion of checks which include care payments can be deposited directly to the resident account by including a resident account deposit slip for the correct amount with the checks and the operating account deposit slip.

(4) The resident's ledger sheet shall be credited with the allowance received. This shall be referenced with the receipt number and shall be supported by a copy of the deposit slip (one copy for all deposits made).

[Statutory Authority: RCW 74.46.800, 74.42.620 and 74.09.120. 90-20-075 (Order 3070), § 388-96-375, filed 9/28/90, effective 10/1/90. Statutory Authority: RCW 74.09.120, 82-21-025 (Order 1892), § 388-96-375, filed 10/13/82; Order 1163, § 388-96-375, filed 11/3/76; Order 1114, § 388-96-375, filed 4/21/76.]

**WAC 388-96-378 Resident personal funds availability.** Funds held for any resident shall be available for the resident's personal and incidental needs when requested by the resident or one of the individuals designated in WAC 388-96-375.

[Statutory Authority: RCW 74.46.800, 74.42.620 and 74.09.120. 90-20-075 (Order 3070), § 388-96-378, filed 9/28/90, effective 10/1/90; Order 1114, § 388-96-378, filed 4/21/76.]

**WAC 388-96-381 Procedure for refunding resident personal funds.** (1) When a resident is discharged or transferred, the balance of the resident's personal funds shall be returned to the individual designated in WAC 388-96-375 within one week and a receipt obtained. In some cases it may be advisable to mail the refund to the resident's new residence.

[Statutory Authority: RCW 74.46.800, 74.42.620 and 74.09.120. 90-20-075 (Order 3070), § 388-96-381, filed 9/28/90, effective 10/1/90; Order 1114, § 388-96-381, filed 4/21/76.]

*See WSR 95-14-119*  
**WAC 388-96-384 Liquidation or transfer of resident personal funds.** (1) Upon the death of a resident, the facility shall promptly convey the resident's personal funds held by the facility with a final accounting of such funds to the individual administering the resident's estate.

(2) In situations where the resident leaves the nursing home without authorization and the resident's whereabouts is unknown:

(a) The nursing facility shall make a reasonable attempt to locate the missing resident. This includes contacting:

(i) Friends,

(ii) Relatives,

(iii) Police,

(iv) The guardian, and

(v) The community services office in the area.

(b) If the resident cannot be located after ninety days, the nursing facility shall notify the department of revenue of the existence of "abandoned property," outlined in chapter 63.29 RCW. The nursing facility shall deliver to the department of revenue the balance of the resident's personal funds within twenty days following such notification.

(3) Prior to the sale or other transfer of ownership of the nursing facility business, the facility operator shall:

(a) Provide each resident or resident representative with a written accounting of any personal funds held by the facility;

(b) Provide the new operator with a written accounting of all resident funds being transferred; and

(c) Obtain a written receipt for those funds from the new operator.

[Statutory Authority: RCW 74.46.800, 74.42.620 and 74.09.120. 90-20-075 (Order 3070), § 388-96-384, filed 9/28/90, effective 10/1/90. Statutory Authority: 1987 c 476, 88-01-126 (Order 2573), § 388-96-384, filed 12/23/87. Statutory Authority: RCW 74.09.120, 82-21-025 (Order 1892), § 388-96-384, filed 10/13/82; Order 1163, § 388-96-384, filed 11/3/76; Order 1114, § 388-96-384, filed 4/21/76.]

*See WSR 95-14-119*  
**WAC 388-96-501 Allowable costs.** Allowable costs are documented costs which are necessary, ordinary and related to the care of medical care recipients, and are not expressly declared nonallowable by applicable statutes or regulations. Costs are ordinary if they are of the nature and magnitude which prudent and cost-conscious management would pay.

[Statutory Authority: RCW 74.09.120 and 74.46.800. 81-06-024 (Order 1613), § 388-96-501, filed 2/25/81. Statutory Authority: RCW 74.08.090, 78-06-080 (Order 1300), § 388-96-501, filed 6/1/78; Order

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**WAC 388-96-502 Indirect and overhead costs.** If a contractor provides goods or services not reimbursable under this chapter, any indirect or overhead costs associated with their provision must be allocated to such goods or services on a reasonable basis approved by the department and must not be reported as allowable costs. Such goods and services include, but are not limited to, compensation to administrative personnel and management fees in excess of limits established in this chapter.

[Statutory Authority: 1987 c 476, 88-01-126 (Order 2573), § 388-96-502, filed 12/23/87. Statutory Authority: RCW 74.46.800, 86-10-055 (Order 2372), § 388-96-502, filed 5/7/86, effective 7/1/86, 84-12-039 (Order 2105), § 388-96-502, filed 5/30/84.]

**WAC 388-96-503 Substance prevails over form.** (1) In determining allowable costs, the substance of a transaction will prevail over the form of the transaction. Accordingly, allowable costs will not include increased costs resulting from transactions or the application of accounting methods which circumvent the principles of the prospective cost-related reimbursement system.

(2) Increased costs resulting from a series of transactions between the same parties and involving the same assets (e.g., sale, and leaseback, successive sales or leases of a single facility or piece of equipment) will not be allowed.

[Statutory Authority: RCW 74.09.120, 81-22-081 (Order 1712), § 388-96-503, filed 11/4/81. Statutory Authority: RCW 74.09.120 and 74.46.800, 81-06-024 (Order 1613), § 388-96-503, filed 2/25/81. Order 1262, § 388-96-503, filed 12/30/77.]

**WAC 388-96-505 Offset of miscellaneous revenues.** (1) The contractor shall reduce allowable costs whenever the item, service, or activity covered by such costs generates revenue or financial benefits (e.g., purchase discounts or rebates) other than through the contractor's normal billing for care services; except, the department shall not deduct from the allowable costs of a nonprofit facility unrestricted grants, gifts, and endowments, and interest therefrom.

(2) The contractor shall reduce allowable costs for hold-bed revenue in the property, administrative, and operational cost areas only. In the property cost area, the amount of reduction will be determined by dividing a facility's allowable property costs by total patient days and multiplying the result by total hold-room days. In the administrative cost area, the amount of the bed hold revenue shall be determined by dividing a facility's allowable administrative costs by total patient days and multiplying the result by total hold-room days. In the operational cost area, the amount of reduction will be determined by dividing allowable operational costs minus dietary and laundry costs by the total patient days and multiplying the result by total hold-room days.

(3) Where goods or services are sold, the amount of the reduction shall be the actual cost relating to the item, service, or activity. In the absence of adequate documentation of cost, it shall be the full amount of the revenue received. Where financial benefits such as purchase discounts or rebates are received, the amount of the reduction shall be the amount of the discount or rebate. Financial benefits such as purchase discounts and rebates, including industrial insurance rebates, shall be offset against allowable costs in the year the contractor actually receives the benefit.

(4) Only allowable costs shall be recovered under this section. Costs allocable to activities or services not included in nursing facility services (e.g., costs of vending machines and services specified in chapter 388-86 WAC not included in nursing facility services) are nonallowable costs.

[Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-505, filed 9/14/93, effective 10/15/93. Statutory Authority: RCW 74.46.800, 92-16-013 (Order 3424), § 388-96-505, filed 7/23/92, effective 8/23/92. Statutory Authority: 1987 c 476, 88-01-126 (Order 2573), § 388-96-505, filed 12/23/87. Statutory Authority: RCW 74.09.120, 84-24-050 (Order 2172), § 388-96-505, filed 12/4/84, 82-21-025 (Order 1892), § 388-96-505, filed 10/13/82. Statutory Authority: RCW 74.09.120 and 74.46.800, 81-06-024 (Order 1613), § 388-96-505, filed 2/25/81. Statutory Authority: RCW 74.08.090 and 74.09.120, 78-06-080 (Order 1300), § 388-96-505, filed 6/1/78, Order 1262, § 388-96-505, filed 12/30/77.]

**WAC 388-96-507 Costs of meeting standards.** All documented costs that are ordinary, necessary and related to the care of medical care recipients and are not expressly unallowable which a contractor incurs in providing care services meeting all applicable standards, will be allowable costs. The expenses include necessary and ordinary costs of:

- (1) Meeting licensing and certification standards;
- (2) Meeting standards of providing regular room, nursing, ancillary, and dietary services, in accordance with WAC 388-88-050 and;
- (3) Fulfilling accounting and reporting requirements imposed by this chapter; and
- (4) Performing any patient assessment activity required by the department.

[Statutory Authority: RCW 74.09.120, 91-22-025 (Order 3270), § 388-96-507, filed 10/29/91, effective 11/29/91; 81-22-081 (Order 1712), § 388-96-507, filed 11/4/81. Statutory Authority: RCW 74.09.120 and 74.46.800, 81-06-024 (Order 1613), § 388-96-507, filed 2/25/81. Statutory Authority: RCW 74.08.090 and 74.09.120, 78-06-080 (Order 1300), § 388-96-507, filed 6/1/78, Order 1262, § 388-96-507, filed 12/30/77.]

**WAC 388-96-508 Travel expenses for members of trade association boards of directors.** Travel expenses for members of trade association boards of directors otherwise meeting the requirements of this chapter will be allowable for twelve meetings per calendar year subject to any applicable cost center limit established by this chapter.

[Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-508, filed 9/14/93, effective 10/15/93. Statutory Authority: RCW 74.46.800, 84-12-039 (Order 2105), § 388-96-508, filed 5/30/84.]

**WAC 388-96-509 Boards of directors fees.** Fees paid to members of boards of directors of corporations operating nursing homes shall be subject to any applicable cost center limit established by this chapter.

[Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-509, filed 9/14/93, effective 10/15/93. Statutory Authority: RCW 74.46.800, 84-12-039 (Order 2105), § 388-96-509, filed 5/30/84.]

**WAC 388-96-513 Limit on costs to related organizations.** (1) Costs applicable to services, facilities and supplies furnished by organizations related to the contractor shall be allowable only to the extent they do not exceed the lower of the cost to the related organization or the price of comparable services, facilities or supplies purchased elsewhere subject to any applicable cost center limit established



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by this chapter. The term "related organization" is defined in WAC 388-96-010.

(2) Documentation of costs to related organizations shall be made available to the auditor at the time and place the financial records relating to the entity are audited. Payments to or for the benefit of the related organization will be disallowed where the cost to the related organization cannot be documented.

[Statutory Authority: RCW 74.46.300 and 74.09.120. 93-19-074 (Order 3634), § 388-96-513, filed 9/14/93, effective 10/15/93; 81-06-024 (Order 1613), § 388-96-513, filed 2/25/81; Order 1262, § 388-96-513, filed 12/30/77.]

**WAC 388-96-521 Start-up costs.** Necessary and ordinary start-up costs, as defined in WAC 388-96-010, will be allowable in the administrative cost area[,] subject to any applicable cost center limit established by this chapter, if they are amortized over not less than sixty consecutive months beginning with the month in which the first patient is admitted for care.

[Statutory Authority: RCW 74.46.300 and 74.09.120. 93-19-074 (Order 3634), § 388-96-521, filed 9/14/93, effective 10/15/93. Statutory Authority: RCW 74.09.120. 83-19-047 (Order 2025), § 388-96-521, filed 9/16/83; Order 1262, § 388-96-521, filed 12/30/77.]

Reviser's note: RCW 34.05.395 requires the use of underlining and deletion marks to indicate amendments to existing rules, and deems ineffectual changes not filed by the agency in this manner. The bracketed material in the above section does not appear to conform to the statutory requirement.

**WAC 388-96-523 Organization costs.** (1) Necessary and ordinary costs which are directly incident to the creation of a corporation or other form of business of the contractor and that are incurred prior to the admission of the first patient, will be allowable in the administrative cost area, subject to any applicable cost center limit established by this chapter, if they are amortized over not less than sixty consecutive months beginning with the month in which the first patient is admitted for care.

(2) Allowable organization costs, as limited by subsection (1) of this section, include but are not limited to legal fees incurred in establishing the corporation or other organization and fees paid to states for incorporation. They do not include costs relating to the issuance and sale of shares of capital stock or other securities.

[Statutory Authority: RCW 74.46.300 and 74.09.120. 93-19-074 (Order 3634), § 388-96-523, filed 9/14/93, effective 10/15/93. Statutory Authority: RCW 74.09.120. 83-19-047 (Order 2025), § 388-96-523, filed 9/16/83. Statutory Authority: RCW 74.09.120 and 74.46.300. 81-06-024 (Order 1613), § 388-96-523, filed 2/25/81; Order 1262, § 388-96-523, filed 12/30/77.]

**WAC 388-96-525 Education and training.** (1) Necessary and ordinary expenses of on-the-job training and in-service training required for employee orientation and certification training directly related to the performance of duties assigned will be allowable costs.

(2) Ordinary expenses of nursing assistant training conducted pursuant to chapter 18.52A RCW will be allowable costs.

(3) Necessary and ordinary expenses of recreational and social activity training conducted by the contractor for

programs for other nonemployees will not be allowable costs.

(4) Expenses for travel, lodging, and meals associated with education and training in the states of Idaho, Oregon, and Washington and the province of British Columbia are allowable if the expenses meet the requirements of this chapter.

(5) Except travel, lodging, and meal expenses, education and training expenses at sites outside of the states of Idaho, Oregon, and Washington and the province of British Columbia are allowable costs if the expenses meet the requirements of this chapter.

(6) Costs designated by this section as allowable shall be subject to any applicable cost center limit established by this chapter.

[Statutory Authority: RCW 74.46.800. 94-12-043 (Order 3737), § 388-96-525, filed 5/26/94, effective 6/26/94. Statutory Authority: RCW 74.46.800 and 74.09.120. 93-19-074 (Order 3634), § 388-96-525, filed 9/14/93, effective 10/15/93. Statutory Authority: RCW 74.46.800. 84-12-039 (Order 2105), § 388-96-525, filed 5/30/84. Statutory Authority: RCW 74.09.120. 81-22-081 (Order 1712), § 388-96-525, filed 11/4/81. Statutory Authority: RCW 74.09.120 and 74.46.800. 81-06-024 (Order 1613), § 388-96-525, filed 2/25/81. Statutory Authority: RCW 74.09.120. 80-06-122 (Order 1510), § 388-96-525, filed 5/30/80, effective 7/1/80; Order 1262, § 388-96-525, filed 12/30/77.]

**WAC 388-96-529 Total compensation—Owners, relatives, and certain administrative personnel.** Subject to any applicable cost center limit established by this chapter, total compensation shall be as provided in the employment contract, including benefits, whether such contract is written, verbal, or inferred from the acts of the parties. In the absence of a contract, total compensation shall include gross salary or wages and benefits (e.g., health insurance) made available to all employees, but excluding payroll taxes paid by the contractor.

[Statutory Authority: RCW 74.46.800 and 74.09.120. 93-19-074 (Order 3634), § 388-96-529, filed 9/14/93, effective 10/15/93. Statutory Authority: RCW 74.09.120. 83-19-047 (Order 2025), § 388-96-529, filed 9/16/83; 81-22-081 (Order 1712), § 388-96-529, filed 11/4/81. Statutory Authority: RCW 74.09.120 and 74.46.800. 81-06-024 (Order 1613), § 388-96-529, filed 2/25/81; Order 1262, § 388-96-529, filed 12/30/77.]

**WAC 388-96-531 Owner or relative—Compensation.** (1) Total compensation of an owner or relative of an owner shall be limited to ordinary compensation for necessary services actually performed.

(a) Compensation is ordinary if it is the amount usually paid for comparable services in a comparable facility to an unrelated employee, and does not exceed any applicable cost center limit set out in this chapter.

(b) A service is necessary if it is related to patient care and would have had to be performed by another person if the owner or relative had not done it.

(2) The contractor, in maintaining customary time records adequate for audit, shall include such records for owners and relatives who receive compensation. Such records shall document compensated time was spent in provision of necessary services actually performed.

(3) For purposes of this section, if the contractor with the department is a corporation, "owner" includes all corporate officers and directors.

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[Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-531, filed 9/14/93, effective 10/15/93. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-531, filed 9/16/83. Statutory Authority: RCW 74.09.120 and 74.46.800, 81-06-024 (Order 1613), § 388-96-531, filed 2/25/81; Order 1262, § 388-96-531, filed 12/30/77.]

**WAC 388-96-533 Maximum allowable compensation of certain administrative personnel.** (1) The department shall allow prudent and cost-conscious costs of compensation for administrative personnel, subject to any applicable cost center limit promulgated by this chapter.

(2) Compensation of the licensed administrator shall be allowable only if the department is given written notice of the administrator's employment within ten days after the employment begins.

(3) The contractor shall maintain time records which are adequate for audit for the licensed administrator, assistant administrator, and/or administrator-in-training. The contractor shall include in such records verification of the actual hours of service performed for the nursing home.

(4) The department shall not consider costs of an administrator-in-training for the purpose of setting the administrative prospective rate. The department shall reimburse the costs of an approved administrator-in-training program by an add-on to the current prospective rate; *unless*, the administrative cost center is at or above the median cost limit for the facility's peer group reduced or increased under WAC 388-96-719. To obtain a rate add-on, the contractor shall submit a request for an add-on to its current prospective rate together with necessary documentation which shall include:

(a) A copy of the department of licensing approval of the administrator-in-training program, and

(b) A schedule indicating the commencement date, expected termination date, salary or wage, hours, and costs of benefits. The contractor shall notify the department, at least thirty days in advance, of the actual termination date of the administrator-in-training program. Upon termination of the program, the department shall reduce the current prospective rate by an amount corresponding to the rate add-on; and

(c) If the contractor does not use the administrator-in-training funds for the purpose for which they were granted, the department shall immediately recoup the misspent or unused funds.

(5) As similarly provided in WAC 388-96-210 regarding field audits, the department shall commence to apply a facility's peer group median cost plus percentage limit in the administrative cost area, in place of administrative personnel compensation limits previously contained in this section, beginning with report year 1992.

[Statutory Authority: RCW 74.46.800, 94-12-043 (Order 3737), § 388-96-533, filed 5/26/94, effective 6/26/94. Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-533, filed 9/14/93, effective 10/15/93. Statutory Authority: RCW 74.09.180 and 74.46.800, 89-01-095 (Order 2742), § 388-96-533, filed 12/21/88. Statutory Authority: 1987 c 476, 88-01-126 (Order 2573), § 388-96-533, filed 12/23/87. Statutory Authority: RCW 74.46.800, 86-10-055 (Order 2372), § 388-96-533, filed 5/7/86, effective 7/1/86, 84-12-039 (Order 2105), § 388-96-533, filed 5/30/84. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-533, filed 9/16/83, 81-22-081 (Order 1712), § 388-96-533, filed 11/4/81. Statutory Authority: RCW 74.09.120 and 74.46.800, 81-06-024 (Order 1613), § 388-96-533, filed 2/25/81. Statutory Authority: RCW

74.09.120, 80-06-122 (Order 1510), § 388-96-533, filed 5/30/80, effective 7/1/80. Statutory Authority: RCW 74.08.090 and 74.09.120, 78-06-080 (Order 1300), § 388-96-533, filed 6/1/78, Order 1262, § 388-96-533, filed 12/30/77.]

**WAC 388-96-534 Joint cost allocation disclosure (JCAD).** (1) The contractor shall disclose to the department:

(a) The nature and purpose of all costs representing allocations of joint facility costs; and

(b) The methodology of the allocation utilized.

(2) The contractor shall demonstrate in such disclosure:

(a) The services involved are necessary and nonduplicative; and

(b) Costs are allocated in accordance with benefits received from the resources represented by those costs.

(3) The contractor shall make such disclosure not later than September 30th for each year; except, a new contractor shall submit the first year's disclosure together with the submissions required by WAC 388-96-026.

(4) The department shall determine the acceptability of the JCAD methodology not later than December 31, of each year. Costs disclosed, allocated, and reported in conformity with a department-approved JCAD methodology must undergo review and be determined allowable costs for the purposes of rate setting and audit.

(5) An amendment or revision to an approved methodology shall be submitted to the department for approval at least ninety days prior to the effective date of the amendment or revision.

(6) Where a contractor will begin to incur joint facility costs at some time other than the beginning of the calendar year, the contractor shall provide the information required in subsections (1) and (2) of this section at least ninety days prior to the date the cost will first be incurred.

(7) Joint facility costs not disclosed, allocated, and reported in conformity with this section are nonallowable costs.

[Statutory Authority: RCW 74.46.800, 94-12-043 (Order 3737), § 388-96-534, filed 5/26/94, effective 6/26/94. Statutory Authority: 1987 c 476, 88-01-126 (Order 2573), § 388-96-534, filed 12/23/87. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-534, filed 9/16/83, 80-09-083 (Order 1527), § 388-96-534, filed 7/22/80.]

**WAC 388-96-535 Management agreements, management fees, and central office services.** (1) If a contractor intends to enter into a management agreement with an individual or firm managing the nursing home as an agent of the contractor, the contractor shall send a copy of the agreement to the department at least sixty days before the agreement is to become effective. A contractor shall send a copy of any amendment to a management agreement to the department at least thirty days in advance of the date the amendment is to become effective. The department shall not allow management fees for periods prior to the time the department receives a copy of the applicable agreement. When necessary for the health and safety of medical care recipients, the department may waive the sixty-day notice requirement in writing.

(2) The department shall allow management fees only if:

(a) A written management agreement both:

(2) The department shall allow management fees only if:

(a) A written management agreement both: